FOREIGN AGRICULTURE

JANUARY 8, 1973

China-Japan Farm Trade

France's Institutional Food Market

FOREIGN AGRICULTURAL SERVICE
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. XI • No. 2 • January 8, 1973

In this issue:

2 Diplomatic Ties May Benefit China-Japan Farm Trade By Bruce L. Greenshields and Linda Bernstein Schneider

5 New Trade Fair Schedule Features Events in Europe and Far East

6 France's Institutional Trade—a Potential Growth Market for U.S. Convenience Foods By W. Scott Steele

8 Shortages Force Chile To Import U.S. Corn—Bigger Output Stressed

9 Agricultural Output in 1972 Down in 18 Major Countries

10 U.S. Poultry Products a Hit at Trade Center Show in London

12 Indonesia Suffers Acute Grain Shortage From Widespread Drought By E. Wayne Denney

13 Crops and Markets

This week's cover:

Guests stream into the exhibition hall of the biannual Canton Trade Fair, where traditionally, Japanese businessmen have conducted trade with the Chinese. Although 90 percent of Japanese trade with China has been through the Canton Trade Fairs, diplomatic ties between the two Nations may result in more formal trading agreements. A discussion of the effect of these ties on trade begins on page 2.

Earl L. Butz, Secretary of Agriculture

Carroll G. Brunthaver, Assistant Secretary for International Affairs and Commodity Programs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editorial Staff:

Kay Owsley Patterson, Editor
Janet F. Beal, Associate Editor; Patricia O. MacPherson, Mary Frances Owsley, Marcellus P. Murphy, Isabel A. Smith.

Advisory Board:

Kenneth F. McDaniel, Chairman; Anthony R. DeFelice, Elmer W. Hallowell, Robert H. Ingram, J. Don Looper, Larry B. Marton, Donald M. Rubel, Larry F. Thomasson, Quentin M. West, Joseph W. Willett.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

Terraced fields and retaining walls aid millet growth in mountains of Hopei Province.

Apples (above) and corn (above right) are among China's top exports to Japan. Another main export, soybeans (below) may be affected by heavy rains that hampered the 1972 harvest.

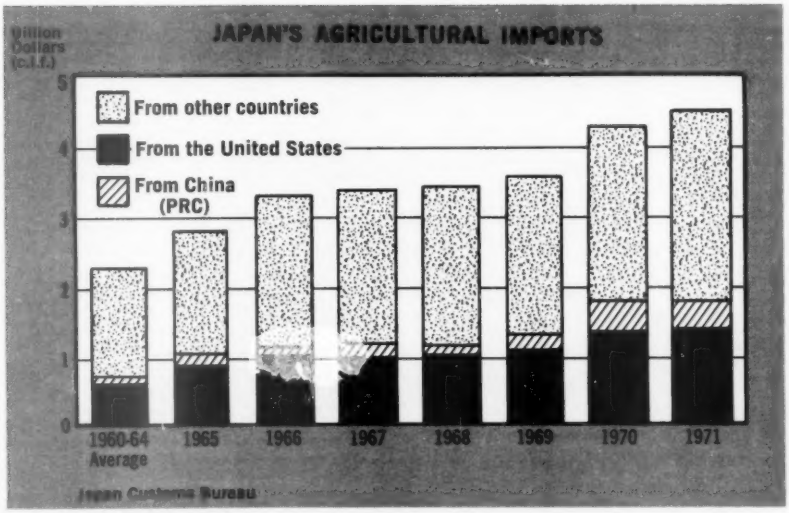
Diplomatic Ties May Benefit China-Japan Farm Trade

By BRUCE L. GREENSHIELDS
and LINDA BERNSTEIN SCHNEIDER
Foreign Demand and Competition Division
Economic Research Service

China's agricultural products will probably not be in a position to compete more strongly with major U.S. farm exports in the Japanese market, despite diplomatic ties established in September 1972 between the People's Republic and Japan.

Since World War II, China's agricultural trade with Japan has fluctuated but shown long-term growth. In 1971, China accounted for 4.1 percent of the Japanese agricultural import market, compared to the United States 30 percent. Although China's share has never exceeded 6 percent, future agricultural trade is expected to gradually reach more significant proportions.

China's principal agricultural exports to Japan are raw silk, soybeans, fruits, and vegetables—since Japan no longer imports Chinese rice. Chinese exports that compete with major U.S. agricultural exports to Japan are soybeans, corn, and grain sorghum—and of these only soybeans compete to any significant degree.



In this decade, however, China is unlikely to offer seriously increased competition to the United States in any major farm export category. Due to continuing population expansion, China's agricultural production has barely kept ahead of domestic demand, even with a strict rationing system, so it is unlikely that China can spare more than modest quantities of feedgrains or oilseeds for export to Japan.

On the other hand, if Japan eases import barriers by granting most-favored-nation treatment to China, removing quotas, or relaxing health and sanitary regulations, China may be in a more favorable competitive position, especially for peanuts, citrus fruit, and meat. The composition of U.S. or Chinese agricultural trade with Japan should not be evaluated in terms of past trade because of the possibility of changes in Japan's import restrictions.

What are the prospects of Japan's increasing its agricultural imports from China? Japan's Minister of Agriculture, Tokuro Adachi, has stated that he intends to promote the conclusion of a quantitative trade agreement with China to prevent the unlimited import of agricultural products. This, however, would not apply to feedgrains and oilseeds, as Japan produces only a small fraction of its requirements for these products.

In the past, Chinese exports of agricultural products to Japan have not paid for industrial imports from Japan, nor do the Chinese expect them to do so in the future. China will have to continue to balance its trade account multilaterally. One way in which China will help to finance imports from Japan, as well as from the rest of the world, is through exports to Southeast Asia, especially to the Hong Kong and Singapore markets, at least in the foreseeable future.

Although no direct parallels can be drawn between historical trade trends and future China-Japan trade, Japan has frequently created a basis for trade through direct overseas investments and aid programs.

At present no Japanese investments or aid programs are underway in China. But the Japanese have been studying the possibility of initiating such programs, in order to develop a source of supply for those commodities in which Japan does not expect to reach self-sufficiency in future years.

The success of such programs will depend on China's willingness to accept foreign development capital, either in the form of direct investment, joint ventures, or aid.

The establishment last August of a new Japanese yen/Chinese yuan settlement formula for foreign exchange transactions represents a necessary first step in solving the mechanical problems involved in capital transactions. Under the yen/yuan formula, traders may settle in either currency at the rate of 135.84 yen to the yuan. The outstanding balance of yuan held by the Bank of Tokyo is convertible into pounds sterling at the exchange rate set by the Bank of China. Previously, only the pound sterling was used as an exchange currency between Japan and China.

Another indication that Japanese capital may move into China is the Sumitomo Chemical Company's announcement of advanced negotiations for construction of a petrochemical complex in China. The complex will be owned by the Chinese Government, but repayment to Sumitomo Chemical may be extended over a period of years under

(Continued on page 16)

JAPANESE IMPORTS OF SELECTED AGRICULTURAL COMMODITIES, 1970-71 AND 1971-72[1]

Commodity and country of origin	Quantity 1970-71	Quantity 1971-72	Percent quantity change	Value, c.i.f. 1970-71	Value, c.i.f. 1971-72	Percent value change	Unit value 1970-71	Unit value 1971-72
	1,000 metric tons	*1,000 metric tons*		*1,000 dollars*	*1,000 dollars*		*Dollars*	*Dollars*
Soybeans	3,194	3,320	+4	392,953	448,002	+14	123.03	134.94
United States	2,954	3,012	+2	360,453	405,221	+12	122.02	134.54
China	238	307	+29	32,292	42,339	+31	135.68	137.91
Corn	5,173	5,415	+5	381,531	352,561	−8	73.75	65.11
United States	3,402	2,304	−32	247,542	154,938	−37	72.76	67.25
South Africa	275	1,388	+405	21,492	88,401	+311	78.15	63.69
Thailand	822	915	+11	63,956	53,138	−17	77.81	58.07
China	24	85	+257	1,782	5,805	+226	74.36	67.94
Sorghum and other millets	4,084	3,474	−15	309,339	222,593	−28	75.74	64.07
United States	2,553	1,149	−55	168,225	73,690	−56	65.89	64.13
Argentina	980	1,149	+17	62,953	71,943	+14	64.24	62.61
Australia	477	1,011	+112	30,906	63,155	+104	64.79	62.47
China	11	14	+32	1,425	1,880	+32	131.76	132.08

[1] Year beginning July 1. Japan Customs Bureau.

JAPAN'S AGRICULTURAL IMPORTS FROM CHINA BY VALUE

[In millions of dollars]

Year	Meat	Rice	Corn	Fruit & vegetables	Animal feed	Soybeans	Other oilseeds	Raw silk	Other	Total
1953	—	—	—	2.1	1.7	3.5	6.0	2.2	9.2	24.7
1954	—	12.5	—	3.2	—	7.4	2.7	1.1	9.9	36.8
1955	—	19.2	—	5.9	—	27.0	4.5	.9	11.6	69.1
1956	—	17.0	0.3	3.5	.1	20.6	3.3	.9	6.4	52.1
1957	—	—	.7	9.3	.3	23.7	1.7	.9	12.5	49.1
1958	0.1	12.8	.7	7.2	.1	8.9	.9	.5	9.0	40.2
1959	.1	—	—	8.0	—	—	.4	.7	6.7	15.9
1960	.1	—	—	5.9	—	—	.7	.2	6.9	13.8
1961	—	—	—	2.8	.1	5.0	1.1	.3	7.5	16.8
1962	—	—	—	4.6	.2	16.5	1.1	.1	6.9	29.4
1963	.4	—	5.1	6.1	.3	23.8	1.4	.5	10.5	48.1
1964	.6	—	8.8	9.8	.9	30.5	2.7	.5	13.5	67.3
1965	.7	26.0	16.0	15.7	2.0	45.3	7.0	3.9	18.9	135.5
1966	1.8	51.4	9.5	22.2	3.3	49.2	11.7	13.3	26.2	188.6
1967	5.7	34.0	5.3	20.9	3.3	47.6	10.6	18.5	23.3	169.2
1968	6.5	19.2	2.9	20.5	3.5	46.1	7.4	11.8	29.4	147.3
1969	7.5	—	—	20.9	3.6	42.3	8.1	22.8	31.6	136.8
1970	2.9	—	—	25.9	1.8	36.0	5.8	27.1	38.7	138.2
1971	5.1	—	5.7	35.1	2.9	37.5	6.8	54.6	41.5	189.2

Agricultural Trade of the People's Republic of China, 1935-69. FAER No. 83, ERS, USDA, Aug. 1972. Based on data from Japan Customs Bureau.

NEW TRADE FAIR SCHEDULE FEATURES EVENTS IN EUROPE AND FAR EAST

Several revisions have recently been made in the U.S. Department of Agriculture's international trade fairs exhibit program for 1973. Two events in Latin America have been canceled and several others in Europe and the Far East were newly scheduled or rescheduled.

Food exhibits slated for Caracas, Venezuela, and Port-of-Spain, Trinidad, in June 1973 have been called off. The Venezuelan Government presently is reviewing its tariff structure and new levies are expected to be announced in 1973. Because of the unknown effect the new tariffs may have on imports of U.S. foods into Venezuela in the immediate months ahead, the Caracas food exhibit is being canceled. When firm information becomes available on import possibilities, some promotional event may be scheduled. The Port-of-Spain food exhibit, to have been held in conjunction with the one in Caracas, likewise has been canceled.

The new shows scheduled in 1973 include demonstration-exhibits in Tokyo, Hong Kong, and Singapore with products for the hotel, restaurant, and institutional trade; and livestock-feed exhibits in Verona, Italy; Novi Sad, Yugoslavia; and Santarém, Portugal. A U.S. solo trade-only show originally planned for Exeter, United Kingdom, in March 1973, has been moved to Plymouth. The new schedule follows:

Date	Country and fair	Type of exhibit
1973		
Jan. 14-18 [1]	**Belgium—Brussels.** Food Business-HORESCA.	Processed foods with emphasis on institutional packs and convenience foods. For U.S. firms, agents, and cooperators.[2]
Jan. 26-Feb. 4 [1]	**Germany—Berlin.** International Green Week.	Consumer promotion by limited number of selected agents.
Mar. 5-6 [1]	**United Kingdom—Plymouth.** U.S. solo trade-only show.	Consumer-ready foods. For agents and U.S. firms new in that market.
Mar. 7-8 [1]	**United Kingdom—Bristol.** Same.	Same.
Mar. 12-13 [1]	**United Kingdom—Birmingham.** Same.	Same.
Mar. 14-21 [1]	**Italy—Verona.** International Agricultural Fair.	Cooperator show featuring livestock, feedgrains, soybeans, and tallow.
Apr. 16-20 [1]	**Japan—Tokyo.** Trade Center solo exhibit.	Consumer-ready foods. For U.S. firms and agents.
Apr. 18-19 [1]	**Japan—Tokyo.** HRI [3] demonstration and exhibit.	Convenience foods and institutional packs for HRI trade.
Apr. 25-26 [1]	**Hong Kong.** Same.	Same.
May 2-3 [1]	**Singapore.** Same.	Same.
May 11-20	**Yugoslavia—Novi Sad.** 40th International Agricultural Fair.	Cooperator show featuring dairy cattle exhibit and beef-feeding seminar.
May 14-18 [1]	**Lebanon—Beirut.** U.S. solo trade-only show.	Consumer-ready and HRI foods. For U.S. firms and agents.
June 3-17	**Portugal—Santarém.** National Agricultural Fair.	Livestock and feed exhibit. For cooperators.
Sept. 22-27	**Germany—Cologne.** ANUGA International Fair.	Processed foods with emphasis on institutional packs and convenience foods. For U.S. firms, agents, and cooperators.
Nov. 16-22	**Switzerland—Basel.** International Restaurant and Catering Show.	HRI products. For U.S. firms, agents, and cooperators.
1974		
Jan. 9-17	**United Kingdom—London.** Hotelympia.	HRI products. For U.S. firms and agents.
January	**Germany—Berlin.** International Green Week.	Consumer promotion by limited number of selected agents.
April	**Japan—Tokyo.** Trade Center solo exhibit.	To be decided.
May	**Kuwait—Kuwait.** U.S. solo trade-only show.	Processed foods. For U.S. firms, overseas agents, and cooperators.
June	**Curaçao—Willemstadt.** Same.	Processed foods with emphasis on institutional packs and convenience foods. For U.S. firms, agents, and cooperators.
June	**Barbados—Bridgetown.** Same.	Same.

[1] Participation firm. [2] U.S. agricultural and trade associations carrying out cooperative foreign market development with USDA. [3] HRI is abbreviation for "hotel, restaurant, and institutional." This is a tentative schedule and subject to change. Inquiries should be addressed to International Trade Fairs Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250.

France's Institutional Trade—A Potential Growth Market for U.S. Convenience Foods

By W. SCOTT STEELE
Foreign Demand and Competition Division
Economic Research Service

In addition to their institutional market, convenience foods are increasingly finding their way into French supermarkets like this one.

Changing life styles of an increasingly fast-paced and affluent society are causing the French institutional trade to take a serious interest in convenience foods. If U.S. food products, especially frozen foods, can surmount tariff and nontariff barriers and be adapted to French tastes, they could benefit from this trend.

Meals served by France's institutional trade—the cafeterias, restaurants, hotels, schools, hospitals, and other facilities that provide "away from home" meals—are expanding rapidly. In 1970, according to *Néo Restauration*—one of the food service trade magazines—this market accounted for some 4 billion meals, or 11 percent above the estimated 1969 level of 3.6 billion. Consumer expenditures for food eaten away from home in 1969 were estimated at $2.3 billion—about one-tenth as much as spent in the United States.

This spending for food away from home is expected to continue increasing, at the rate of about 5 percent a year, during the 1970's, and the number of meals eaten out should reach between 4.4 billion and 6 billion by 1975.

In terms of market shares, feeding in schools and restaurants will each account for about 30 percent of meals served in the institutional market by 1975, while feeding in offices and factories will be about 15 percent.

The prime factor behind growth in French institutional food needs is the rise in per capita incomes. Between 1960 and 1970, the real gross national product (GNP) rose at an average annual rate of 5.7 percent, and real per capita growth averaged 4.7 percent. By 1970, France had a per capita GNP of $3,200, or about two-thirds the U.S. average of $4,756.

Simultaneously, the number of people living in urban areas ballooned, rising at twice the rate for total population growth and inflating urban population to 70 percent of the total.

This rush to the cities has had a dramatic impact on daily living habits. For instance, many executives, factory workers, and school children are unable to return home for their tradi-

This article is based on the publication *France's Institutional Food Market—Developments and Prospects for U.S. Exports*, which will be off press shortly. Copies may be obtained from Office of Management Services, U.S. Department of Agriculture, Washington, D.C. 20250.

tional 2-hour midday meal because of the distance and time involved. As a result, a growing number of people are depending on food service at their work or schools.

Other important factors behind the trend are the greater number of working wives, increases in leisure time with an accompanying boom in travel, and, finally, the continued influx of foreign tourists, who make up France's second largest "exporting" industry.

To accommodate this expanding demand for food away from home, new French chain restaurants are developing. Catering firms are providing food services in many offices, factories, and schools. Large chain stores are setting up cafeterias. And food service in hotels, motels, and airports is growing.

DISTRIBUTION CHANNELS for the institutional trade, now fragmented, are also being developed. Food manufacturers are setting up their own direct distribution systems for institutional sales and services. Grocery wholesalers and cash-and-carry wholesalers are intensifying their selling and distribution activities in the food-service sector. A few chain stores and restaurant firms are setting up special departments to sell to other food-service businesses. And Government-run institutions are using competitive-bid systems to regulate their food purchases.

The growth and modernization of food service—along with the increased cost of food preparation and a shortage of skilled chefs—has led the French institutional trade to reconsider their past prejudices against convenience foods and to start buying them.

Frozen foods, for instance, were viewed in the past as an insult to the country's great gastronomic tradition. The ready availability of fresh produce, past experience with low-quality and high-priced frozen products, and a lack of refrigeration and freezing equipment further intensified the French disdain for frozen foods.

Today, French buyers of frozen foods are finding the story different. These products are not only proving complementary to the changing lifestyles in France, but they also are becoming known for their higher quality, price stability, and contribution toward reduced costs of food preparation. As a result, frozen foods are the most rapidly growing of the convenience foods used by the food service trade. Between 1964 and 1970, away-from-home consumption of these products rose 3½-fold to 66,000 metric tons.

Moreover, the French Frozen Food Association has forecast that in 1973, overall consumption of quick frozen foods will have risen to 160,000 metric tons, of which two-thirds, or an estimated 107,000, will be consumed in the institutional market, for a rise of about 20 percent a year during 1970-73.

Most popular of the frozen products in the institutional market is seafood, which in 1970 represented 40.5 percent of all frozen foods consumed by the institutional trade. Frozen vegetables accounted for 31.7 percent; frozen poultry and game, 6.6 percent; and frozen meats, 4.7 percent.

A growing market also exists for frozen prepared foods, which accounted for another 12 percent of total institutional consumption. Consumption of these products rose more than fourfold between 1969 and 1970 alone, to 8,000 metric tons.

Despite its numerous trade barriers, France has been a major and growing U.S. market for these food items. U.S. exports of consumer foods accounted for an estimated $45 million in sales to France in 1971—32 percent more than average exports in 1965-69.

In the future, such trade can be expected to increase in line with expanding French needs and U.S. efforts to develop markets. Among products offering the best opportunity for growth in France's institutional market are frozen foods, including prepared foods, meats, seafood, and some vegetables.

OTHER POTENTIALLY LARGER exports for institutional use are prepared packaged products, sauces and seasonings, prepared appetizers and desserts, and dietetic and low-calorie foods.

Sales of totally prepared meals are also beginning, and strong expansion in the future is likely if quality can be maintained at reasonable prices.

A number of other U.S. products have special sales potential in the French institutional market. Conditions are favorable for expanded sales of U.S. variety meats in most sectors of the market. There is also some potential for high-quality U.S. beef for sale to tourist hotels and restaurants. In addition, a reduction in tariff rates during the U.S. export season has expanded the market potential for U.S. citrus fruit.

Numerous high-valued specialty products also have sales potential, but given their vast number, exporters will have to approach distributors as to actual products and terms of sale.

The challenge facing U.S. food manufacturers interested in the institutional food market is to duplicate in convenience form the traditional dishes now prepared by French chefs. In addition, exporters need to focus on exchanging detailed and technical product information along with discussing terms of sale and distribution of products with major distributors and food-service businesses. Market testing of most new products introduced in France's institutional market is also necessary to determine if they meet French specifications and tastes.

U.S. exporters must also be able to meet the competition posed by several large French and France-based multinational firms that have the capability of making substantial gains.

A final hurdle is the overcoming of trade restrictions that interfere with marketing imported foods. These include variable levies, tariffs, quotas, and strong regulations on food additives. In addition, there are precise labeling requirements for imported foods.

Chile's feedgrain shortage has sharply reduced the feed available for livestock such as hogs, at right, and baby chicks, below.

Corn imported from the United States is unloaded at Valparaíso.

Shortages Force Chile To Import U.S. Corn—Bigger Output Stressed

In the wake of distribution tieups caused by the 3-week nationwide truck strike in October-November—plus reduced production and greater demand —Chilean corn supplies have fallen to low levels, threatening to set back the heretofore growing poultry industry.

As a result, Chile imported 70 percent more corn in 1972 than in 1971, with most of it coming from the United States. Further large imports are expected in 1973. In addition, the Government has begun a major campaign to expand the corn harvest in the 1972-73 production year.

Chilean corn production during 1971-72 totaled only about 210,000 metric tons—down from 258,326 in 1970-71. At the same time, production of another important feed ingredient, fishmeal, was retarded by a shortage of anchovies in the coastal fisheries. Harbor tieups, retarding movement of imported grain to local distribution centers created further complications.

To meet the poultry industry's feed requirements, Chile in 1972 imported an estimated 465,000 tons of corn, compared with 270,600 in 1971. Most of this has come from the United States. Shipments from Argentina, the traditional supplier, have been limited by short supplies and high prices.

Another Government response to the emergency has been a campaign to increase corn production to between 360,000 and 400,000 tons in the current crop year. A cooperative effort by the Corporación de la Reforma Agraria (CORA), the Empresa de Comercio Agrícola (ECA), the Banco del Estado, and the national agricultural cooperatives, the campaign is being conducted among the "reformed sector" and small and medium farmers in the area between Coquimbo and Malleco Provinces. It has included—

- A special credit and technical assistance plan for all producers willing to market their production through ECA's special purchasing program.
- Assistance from CORA in the form of fertilizers, pesticides, use of machinery, and technical guidance to all affiliated producers. The ECA will be in charge of the purchasing offices and will channel, according to the contracts, advance cash payments, inputs, and services. The Banco del Estado will provide seeds through cooperatives.

Meeting the campaign goals required the planting of an additional 224,000 acres between October and December 1972.

The Government program, with its guaranteed price, advanced payments, technical assistance, credits, and supply of production inputs, will tend to stimulate production, as will current high market prices for corn. Also, heavy rains during May-August reduced winter wheat plantings, increasing the availability of land for corn.

There are, on the other hand, several negative factors that will make it difficult to reach the Government's goal.

High prices also prevailing for vegetables could encourage some farmers who planted corn in the past to shift to vegetables this year, particularly in the Santiago area. Supplies of potatoes, tomatoes, lettuce, and most other fresh vegetables have recently been very tight, and prices have been extremely attractive. For example, potato prices in October and November were 8 to 10 times those in the same months of 1971.

In past years, most of the corn has been grown on irrigated land in the Santiago area because this is the center of the broiler and egg industries. Farmers outside this area have had little experience in growing feed corn. This lack of experience, combined with shortages of improved seeds, fertilizers, machinery, and other inputs will likely result in relatively low yields on much of the new area planted to corn.

Furthermore, a large number of farms in the Provinces of Santiago, Valparaíso, Aconcagua, and O'Higgins —which account for about 60 percent of total corn production—were expropriated under the Agrarian Reform Program during April and June of this year. The expropriated farms are currently being organized into production units, but the resulting disruption in agricultural activities will have an adverse effect on 1972-73 production.

Considering these negative factors, and assuming normal weather, the consensus among Chilean trade is that corn production in 1972-73 will not rise to the 360,000-400,000 ton level, as planned. A more likely gain is 50,000 tons to about 260,000. With stocks at a low level, and feed needs of both the poultry and swine industries expanding, this means that Chile will probably still have to import about 450,000 tons of feedgrains during 1973.

Agricultural Output in 1972 Down in 18 Major Countries

WORLD AGRICULTURAL production declined slightly in calendar 1972. Comparison of preliminary indices for 18 major producing countries for 1972 indicates a general downturn. Adverse weather — particularly drought — has been the principal factor in the decline.

Output has fallen sharply in the USSR, India, and Australia with grain crops below the high levels of 1970 and 1971. Increases in total production —mostly slight—occurred in the United States, the European Community (EC), Poland, Japan, and Turkey.

The grain picture is mixed. World output is down from 1971, when most regions benefited from generally favorable weather, but is still the second largest on record. Wheat, rice, and feedgrains all show declines. Trade in grains has accelerated and may show further increases as countries with reduced supplies import. The largest available stocks are in the United States. World prices of grains have risen sharply since mid-1972.

A major development in 1972 was the very large grain purchases by the USSR which had a poor wheat crop following 2 successive good years. Extensive winterkill followed by hot, dry conditions in the growing season in the European USSR and delayed harvesting more than offset attempts to expand acreage. In India the monsoon rains were late and insufficient, grain output has declined sharply, and India plans to make sizable imports of grains in early 1973. Drought in Australia has cut grain production. Although grain production in the EC reached record levels, output declined in other parts of Western Europe. Increases are reported for Argentina. Output decreased in the United States due to reduced acreage and in Canada due to reduced yields.

Rice availabilities in early calendar 1973 will be very tight. Adverse weather has reduced harvest prospects in Asia, with production in India and Thailand down at least 10 percent in 1972-73, and decreases expected also in Indonesia, Burma, South Korea, the Philippines, and South Vietnam. Asian rice import prices have risen sharply.

World demand for oilseeds continues to grow, and a continued tight oilseed and meal market is anticipated. Prices have risen, reflecting reduced supplies and increased protein needs. U.S. soybean exports are likely to rise in the current marketing year, after declining last season, because of decreased stocks for export, dock strikes, and uncertain exchange rates. Peruvian exports of fish oil and meal have dwindled as stocks declined.

World cotton production increased in 1971-72 and 1972-73, reversing the situation in 1970-71 of short supplies and high prices on the world market. Increased acreage is largely responsible for the rise in production, but higher yields in some countries also helped. While world supplies have increased over last year's low levels, qualities are lower because of rains during harvest in many countries.

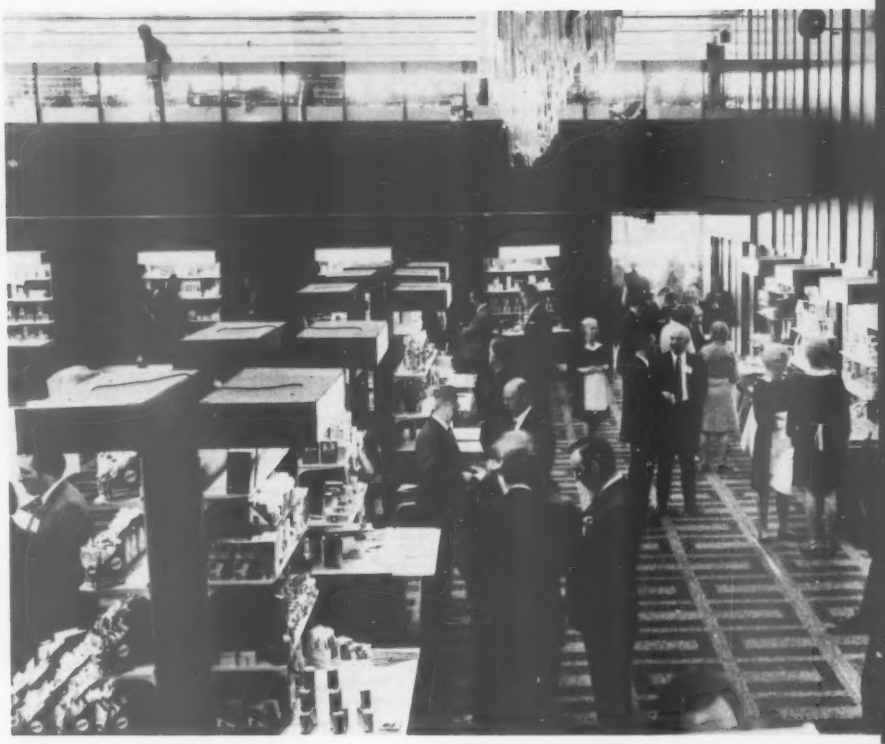
World tobacco output in calendar 1972 was slightly over the level of the previous year. Possible shifts in world tobacco trade are presaged by EC policy decisions which set support prices for EC tobacco growers and give subsidy payments to buyers of EC-grown tobacco. Continuing U.N. sanctions on Rhodesian trade are helping U.S. exports, but the U.S. export payment program for tobacco will be terminated effective with the 1973 crop.

World cattle and hog numbers continued to increase in calendar 1972; sheep numbers continued to decline. World production of red meat continued on an upward trend in calendar 1971 and into 1972. Demand for beef continues strong and production continues to expand in response to high prices. Meat import restrictions were relaxed in 1972 by the United States and the European Community to satisfy increasing consumer demand.

Poultry production in most countries continued to increase in calendar 1972.

Milk output increased in 1972 in most of the major dairy countries, reflecting better weather conditions for pastures and forage and increased support prices for milk in some foreign countries. Greater milk production boosted butter output, and increased butter stocks abroad where production exceeds market requirements.

U.S. Poultry Products a Hit At Trade Center Show in London



New types of frozen poultry meat—such as boneless breast of chicken à la kiev, chicken breast cordon bleu, and oven-roasted turkey breasts—highlighted the annual U.S. Trade Center food promotion in London this past October 17 to 19. Also bringing enthusiastic response from the 420 British tradesmen attending the show were gourmet foods and desserts, fruits, variety meats, and portion-control meals and meats for caterers.

Begun some 10 years ago to introduce U.S. products to members of the British food trade, the Trade Center promotion this year centered around the theme, "fresh ideas in poultry and frozen foods." Seventeen U.S. companies participated in the show, with 10 of them new to the market. These first-timers generated $300,000 in business, generally market-test quantities, with a longer term sales potential of roughly $1 million to $2 million. Established companies displaying products recorded $60,000 in new business, primarily new accounts.

Reflecting the poultry products' success, the number of U.S. companies selling such items in the United Kingdom jumped by nearly threefold as a result of the show. Last year, only three American firms were aggressively promoting U.S. poultry in the United Kingdom; now there are eight, and sales have responded accordingly.

The British frozen food market, although growing steadily, is small compared to that in the United States: U.K. per capita consumption of frozen foods was only 16.2 pounds in 1971, against 66.1 for the United States and 29 for Sweden. According to recent surveys, much of the potential for expanding this market lies with the more unusual products like institutional-size packs, convenience and gourmet foods, and exotic fruits and vegetables. In contrast, rapid sales gains during the 1960's were in "everyday" items like frozen peas, fish products, and french-fried potatoes. At present the market for gourmet foods is only $2.5 million, but it is growing at a 25-percent yearly rate.

Above, inspecting U.S. fruits and vegetables. Left, tradespeople at seminar sponsored by the Rice Council for Market Development and British Arkady.

Left, view of portable display units at the show. U.S. Agricultural Attaché to London, William Rodman, above, learns about nutritional benefits of rice and, below, conducts an informal press conference. Right, some of the fresh U.S. produce at the show.

Bruce McEvoy, Assistant U.S. Agricultural Attaché, and a BBC correspondent taste a soybean dinner. Left, discussing the merits of vegetable proteins.

Indonesia Suffers Acute Grain Shortage From Widespread Drought

By E. WAYNE DENNEY
Foreign Demand and Competition Division
Economic Research Service

RICE AND CORN production in Indonesia has been substantially reduced during the 1972-73 crop year due to a widespread drought which has seriously affected all major agricultural areas. Production of other commodities is also expected to be less than that of the previous year, although no loss estimates have been made.

The emphasis of Indonesian agricultural policy over the past 5 years on increasing rice production has met with notable success. For the past 3 years, Indonesia's rice output has advanced at a faster rate than anticipated under their current 5-year plan. Until recently, it appeared that the targeted rice self-sufficiency by 1974 might become a reality. Rising yields due to increasingly widespread adoption of high-yielding varieties and extension of area under rice resulted in an average annual increase in rice output of over 8 percent during the past 3 years.

Actual rice production exceeded production targets in both 1970-71 and 1971-72 and an outturn of 13.8 million tons of milled rice was projected for the current crop. While official estimates have now been reduced to 13.4 million tons, subsequent unofficial reports place the current year's crop at about 12.4 million tons and there are indications that production may be as low as 12 million tons. The main-season rice crop (harvested April-June) was reduced by a winter drought which delayed planting. But the most serious loss is reported to be in the dry-season crop, which normally produces about 20 percent of the total rice output. This crop, which is still being harvested, was severely damaged by a long summer drought.

The rice shortage has catapulted rice prices upward and increased imports. Rice prices are currently averaging 40-50 percent higher than a year ago. The Government rice marketing organization, Bulog, has injected some of its stocks into the market in an attempt to curtail further price increases, but Bulog's stocks are very low despite attempts to import additional rice.

Because of the rice shortage, the Government has asked donor countries, particularly the United States and Japan, to provide additional rice on a concessional basis. Both countries had already agreed to furnish substantial quantities of rice based on earlier requests by the Indonesian Government. The United States is sending 100,000 tons of P.L. 480 rice, all but 25,000 tons of which was scheduled to arrive before 1973. But the needs for P.L. 480 rice are large this year, and the United States has already promised large amounts to other Asian countries.

Japan has agreed to provide Indonesia with an additional 150,000 tons of brown rice, 25,000 tons of which have already been sent. The acceptance of brown rice there is yet to be determined. The brown rice is in addition to the 232,000 tons already committed during 1972-73. The 232,000 tons consist of 172,000 tons of low-quality rice from Japan's 1969 stocks and 60,000 to originate in Thailand. Japan's concessional rice exports are currently limited to 400,000 tons annually according to Government regulation. Japan has also committed rice to the Philippines and Bangladesh.

Indonesia has now scheduled purchases of about 1.5 million tons of rice for 1972-73, which should help relieve the tight situation until its main season harvest in April-June. Half of these purchases have been mainly from neighboring Asian suppliers on a commercial basis. The prospects for additional purchases on the Asian market are very bleak. Thailand, Asia's major rice exporter, has virtually exhausted its export surplus and briefly imposed a rice reserve requirement on exporters to insure domestic Thai requirements.

Dry weather has also adversely affected Indonesia's 1972-73 corn crop, most of which is harvested from October to December. Recent reports indicate the outturn from the current crop will likely be the lowest of any recent year. Corn production increased by a million tons in 1971, so the current crop will probably decline by at least 1 million tons. Yields are reported to be down considerably in the major corn-producing areas of Lampung and East Java, and in some areas it was too dry to do any planting. The short supply of corn is evidenced by unusually high corn prices, which have risen from $41 per ton in 1971 to a current level of $72 per ton, an increase of 75 percent.

Increased emphasis has been placed on corn production in recent years and it was anticipated that corn exports would reach 400,000 tons in 1972. The rice shortage channeled more corn into domestic consumption, however, and corn exports were suspended in early March. No further corn exports are expected until mid-1973 when the next crop is produced in Lampung.

WITH THE COMPLETION of its third wheat flour mill in July, Indonesia will be importing larger amounts of wheat while imports of wheat flour have ceased. In fiscal 1972, Indonesia imported 667,000 tons of wheat flour and 207,000 tons of wheat. Requirements for 1973 have been projected at 640,000 tons of wheat, although the need may be greater now due to the acute grain shortage. The United States may supply about 75 percent of the wheat imports with the remainder coming from Australia and Canada.

Although Indonesia is currently experiencing a temporary reversal in its attempt to attain self-sufficiency in food grains, its economy remains fairly strong. The oil-based export sector is paving the way to increased trade surpluses. Indonesia's potential as a commercial market for grains should not be overlooked, despite its need for concessional food aid for the next several years.

CROPS AND MARKETS

LIVESTOCK AND MEAT PRODUCTS

Foot-and-Mouth Disease Reported in East Europe

Widespread outbreaks of foot-and-mouth disease in Eastern Europe have caused border closings in an effort to prevent further spread of the disease. Countries reporting new outbreaks include Yugoslavia, Romania, Czechoslovakia, Hungary, Bulgaria, and the USSR (Moldavia and Ukraine). Outbreaks have not been reported in Poland and Austria, and these countries have imposed stringent travel restrictions affecting humans, animals, and meat products to prevent introduction of the disease.

The reported outbreaks of foot-and-mouth disease have generally been Type C.

Despite existing reports, the United Kingdom has not been invaded by foot-and-mouth disease. Recent outbreaks have been identified as swine vesicular disease which appear to be confined to 10 outbreaks in a five-county area of England.

To date, 3,300 swine have been slaughtered in the United Kingdom, but the controllability and impact of this relatively new disease have not yet been assessed. The slaughtered swine were reportedly all garbage fed.

U.K. Lard Imports Up, U.S. Share Down

Total U.K. lard imports increased slightly during the first 9 months of 1972, but the U.S. exports and share of the market fell sharply. Lard imports from the European Community, several East European countries, and Denmark showed large increases.

Total U.K. lard imports during the first three quarters of 1972 amounted to 337.4 million pounds, an increase of less than 1 percent over the 336 million pounds imported during the same months of 1971.

Imports from the United States fell from 202.6 million pounds during January-September 1971 to 85.8 million pounds in the same period of 1972. The U.S. share of total imports during the period also slipped—from 60.3 percent in 1971 to 25.4 percent in 1972.

On the other hand, U.K. lard imports from the European Community totaled 200.2 million pounds during January-September 1972, a jump of 89 percent from the 105.8 million pounds imported from that source a year earlier. The EC share of the market increased from 31.5 percent during the first 9 months of 1971 to 59.3 percent for the same period of 1972.

Denmark's sales to the United Kingdom increased by 34 percent to 15.4 million pounds. Imports from Hungary in 1972 were 13.7 million pounds, compared with 44,128 last year. Poland's shipments to the United Kingdom were 3.3 million pounds, compared with 301,500. Those from Czechoslovakia were 2.4 million pounds, up from 44,100; from Bulgaria, 1.9 million, compared with zero during the same period in 1971; and from the Soviet Union, 11.5 million, compared with zero a year earlier.

Seminar Examines Future Of U.K. Livestock Industry

The United Kingdom does not yet realize the impact on its livestock producers of membership in the European Community with its potential of 250 million customers and a possible 1978 beef deficit of 800,000 tons. This was the consensus of speakers at a recent seminar entitled, "British Meat and the Common Market."

Looking to the immediate future, some speakers pointed out that the prospect for next year is for an increase in beef exports by new EC members to Continental Europe. Under the double pressure of Continental buying and higher import prices, U.K. beef prices will likely be pushed to higher levels next year.

It was speculated that although the Nine, except for Ireland—and for part of each year, France—will tend in the future to keep most of their meat production at home, market enlargement will provide new opportunities to the U.K. meat trade and processing industries. EC countries will also compete with each other for supplies of meat and products available from outside the Community.

British and Irish meat producers, it was asserted, have as an asset a large supply of grass on which to feed livestock and a tradition of using it efficiently. If grass is fully utilized, it was said, an expansion in the production of both cattle and sheep is anticipated.

Other speakers expressed the belief that economic pressures in the pork and poultry sectors will probably lead to more specialization and concentration in these industries than exists at present.

TOBACCO

South Korean Tobacco Output Up Substantially

Current estimates of South Korea's tobacco production for the 1972 crop indicate a substantial increase with major gains being noted for flue-cured and burley types. This is one of the countries that has greatly expanded tobacco production and export trade following the United Nations embargo on Rhodesian tobacco in international trade.

The flue-cured estimate—at 151 million pounds—is up nearly 43 percent and the burley estimate—at 54 million—is up 68 percent over the previous year. Some trade sources re-

port the crop is even 10 percent more than the official estimate.

The sharp increase in production is reported to be in response to higher grower prices. Prices were increased by the Korean Office of Monopoly for the 1972 crop by 28 percent for flue-cured and 36 percent for burley following a 43-percent rise in 1971.

Although the price announcement for the 1971 crop came too late in the season to be effective, that increase plus the additional raise for the 1972 crop appears to have prompted farmers to plant more tobacco and reverse the downward trend of the past two seasons.

India Expands Tobacco Sales to Soviet Union

Indian tobacco exports reached a near record 122 million pounds during 1971 with the increase primarily reflecting a substantial expansion in shipments to the Soviet Union. Although the USSR has been India's second largest purchaser of tobacco for a number of years, the volume was off substantially during the period 1966 through 1970. For 1971, USSR purchases (all flue-cured type) more than doubled and reached 37.6 million pounds, or about 31 percent of the total. The average price of Soviet purchases was 49 cents per pound.

In the first half of India's 1972 fiscal year (April-September), shipments to the Soviets totaled 44.6 million pounds, or 36 percent of the total, and represented the biggest customer so far this year for Indian leaf.

Since India does not expect to receive any preferential treatment for tobacco from the European Common Market, efforts have been made to expand its export trade to other markets before the United Kingdom joins the Community. Substantial shipments have also been made this year to Bangladesh and Bulgaria, in addition to heavier exports to a number of countries including Czechoslovakia, Somalia, Egypt, France, and the Netherlands. These sales have enabled India to liquidate most of the backlog of old stock surplus tobaccos and helped rescue the 1972 crop from overproduction and marketing problems.

COTTON

Australia Sells Cotton to China

Australia recently made its first sale of cotton to Mainland China and, reportedly, another purchase of the same size is being considered by the Chinese. The contract is for 8,000 bales of high-grade cotton, valued at $1.5 million. It was negotiated by an Australian cooperative whose members produce almost half of the Australian crop and the China National Textile Import Corporation of Peking.

With this sale Australia joins a number of other new suppliers of cotton to China: Colombia, Iran, Mexico, Morocco, and Turkey. Previously Egypt, Pakistan, Sudan, Syria, and Tanzania were the principal suppliers.

Australia Plans Three Dams For Cotton Producing Area

Australian cotton and soybean production will probably benefit from the projected construction of three dams on the Naomi River in New South Wales. Construction costs will be covered by a $2-million grant made by the National Water Resources Development Fund and follows an earlier $2.1-million outlay for a pipeline from South Australia.

The dams will irrigate some 6,000 acres of farmland near the city of Wee Waa, the area where most of Australia's cotton is grown.

It is assumed that agricultural projects having the most favorable possibility of success will have first call on the impounded water, and because cotton is the area's most profitable crop, it has a good chance of receiving a large share.

DAIRY AND POULTRY

Finland To Export Dairy and Poultry Products to USSR

According to press reports Finland agreed on September 29 to export to the USSR 4,000 metric tons of shell eggs and 3,000 tons of powdered milk in 1972; and 10,000 tons of butter in 1972 and 1973.

Some 4,000 tons of butter were shipped in the late months of 1972, 2,400 tons during the first quarter of 1973, and 3,600 tons in the second quarter. There were no deliveries of butter to the Soviet Union earlier in 1972.

During 1973, Finland is also scheduled under the Finnish-USSR Trade Agreement to deliver to the Soviet Union 4,450 tons of shell eggs and 10,000 tons of powdered milk. These deliveries, together with 1972 shipments, are estimated by the press to be valued at about US$20.7 million.

Dairy product exports in 1973 to the Soviet Union are considered to be particularly significant for the Finnish dairy industry, providing sales outlet for substantial quantities of powdered milk and butter which otherwise would have further complicated Finland's surplus situation.

Japan Buys 1,600 Tons Of Australian Butter

The Australian Dairy Produce Board announced recently that Japan has bought a further 1,600 tons of unsalted butter. The new tender is in addition to an order for 1,450 tons of unsalted butter shipped in August and September. Japan has long been regarded as a market for Australian cheese rather than butter.

FRUITS, NUTS, AND VEGETABLES

Portugal Has Record 1972 Tomato Crop

Portugal harvested a record crop of processing tomatoes in 1972, but exports of processed tomato products in the first 8 months of the year lagged considerably behind 1971.

The harvest totaled an estimated 858,000 metric tons, 36 percent more than 1971's 628,000 tons. Increases in planted area and higher yields accounted for the gain.

Higher prices encouraged the largest tomato pack in the last 5 years, but it has been reported that a large portion of the 1972 pack is of lower quality than in previous years.

In the January-August period of 1972, exports of tomato paste, the largest item exported, totaled 65,554 metric tons compared with 71,800 tons in the same period of 1971. The

United Kingdom and the United States, with purchases of 17,564 and 16,929 tons, remain Portugal's chief markets.

Portugal's exports of other tomato products, tomato puree and canned peeled tomatoes, were down even more sharply. Exports of these items totaled only 740 metric tons compared with 4,580 tons in January-August 1971.

West Germany Announces Import Tender for Asparagus

West Germany has announced an import tender for canned asparagus cuts and tips (referred to as Brechspargel in German). Applications for import licenses are now being accepted, with licenses valid thru June 30, 1973. The first day of customs clearance will be January 2, 1973.

GRAINS, FEEDS, PULSES, AND SEEDS

Grain Exports and Transportation Trends: Week Ending December 22

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.29 million metric tons for the week ending December 22—a 23-percent drop from the week before, and 17 percent below the November weekly average.

Shipments were: Wheat, 540,000 metric tons; feedgrains, 480,000 metric tons; and soybeans, 270,000 metric tons.

Inland transportation was at a high level during the week. Railcar loadings of grain totaled 33,021 cars, up 4 percent from the week before. Barge shipments were not available.

GRAIN EXPORT AND TRANSPORTATION TRENDS: WEEK ENDING DECEMBER 22

Item	Week ending Dec. 22	Previous week	Weekly average, November	Weekly average, first quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	544	447	542	414
Feedgrains	476	790	612	626
Soybeans	272	419	399	133
Total	1,292	1,656	1,553	1,173
Inland transportation:				
Barge shipments of grain	[1]	377	590	515
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	33,021	31,616	30,060	28,566

[1] Not available.

South African Corn Crop Expected To Be Smaller

Corn planting conditions as of December 15 reportedly were unfavorable in important producing areas of South Africa. Because of current serious drought conditions, the corn crop of next April/May may be much lower than last year's record 9.6 million metric tons, but a few good rains could change the situation considerably.

Carryover stocks on April 30, 1973, are estimated at 2.2 million tons, and roughly 6.1 million would be needed during 1973-74 for domestic use and minimal carryover. Thus, a crop of at least 7.7 million tons would be needed next spring if 1973-74 exports are to be maintained at this year's currently anticipated level of 3.7 million tons.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 3	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	3.34	+12	2.01
USSR SKS-14	[1]	[1]	1.89
Australian FAQ [2]	2.96	+1	1.66
U.S. No. 2 Dark Northern Spring:			
14 percent	3.11	+16	1.92
15 percent	3.12	+16	1.98
U.S. No. 2 Hard Winter:			
13.5 percent	3.04	+9	1.78
No. 3 Hard Amber Durum	3.04	+3	1.81
Argentine	[1]	[1]	1.81
U.S. No. 2 Soft Red Winter	[1]	[1]	1.74
Feedgrains:			
U.S. No. 3 Yellow corn	2.14	+6	1.44
Argentine Plate corn	2.36	+2	1.59
U.S. No. 2 sorghum	2.44	+7	1.56
Argentine-Granifero sorghum	2.44	+7	1.56
U.S. No. 3 Feed barley	1.94	+5	1.27
Soybeans:			
U.S. No. 2 Yellow	4.95	+2	3.29
EC import levies:			
Wheat [3]	[4] .83	−8	1.60
Corn [5]	[4] .71	−5	1.07
Sorghum [6]	[4] .55	−5	.95

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

SUGAR AND TROPICAL PRODUCTS

Russia Buys Sugar on World Market

The USSR has begun purchasing sugar on the world market from countries other than Cuba for the second year in a row. Several sales were made on the world market around the first of December. Then, the Queensland Sugar Board confirmed the sale of 50,000 metric tons of Australian sugar to the USSR. Soon after, Brazil announced sugar sales to Russia of 300,000 tons for 1973 delivery. Shipment space to USSR ports was reportedly requested for 63,000 tons of Peruvian sugar previously sold on the world market.

World sugar prices have moved rapidly upward. The world price increased from 7.40 cents per pound on November 30 to 9.30 cents on December 12. It stood at 9.20 on December 19. The U.S. price, meanwhile, increased from 9.02 cents on November 30 to 9.30 on December 14 where it remained as of December 19 (1.10 cents must be subtracted from the U.S. price to make it comparable to the world price).

The USSR is having another below-normal sugar-production year in 1972-73 following the extremely poor crop of 1971-72. Cuba is expected to have a larger crop in 1972-73 than the drought-reduced one of 1971-72, but still will be unable to provide Russia with its import needs. During December 1971-February 1972, Russia purchased about 1 million tons from non-Cuban sources and may need more than this again in the 6 months beginning December 1972.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

First Class

If you no longer wish to receive this publication, please check here ☐ and return this sheet, or addressed portion of envelope in which publication was mailed.

If your address should be changed ☐ PRINT or TYPE the new address, including ZIP CODE, and return the whole sheet to:

Foreign Agricultural Service, Rm. 5918
U.S. Department of Agriculture
Washington, D.C. 20250

FOREIGN AGRICULTURE

FA SEPT-75
UNIVERSITY MICROFILMS
JOY REED, SUPVR PERIODICALS
300 N ZEEB RD
ANN ARBOR MI 48106

China-Japan Ties To Affect Trade (Continued from page 4)

a type of deferred payment plan.

One of Japan's large trading companies has forecast that total trade with China—amounting to $900 million in 1971—will increase to an annual $3 billion within 5 years. Japanese Government estimates suggest that trade will mount to $3.2 billion annually by 1980. Even in the absence of formal ties, the trade flow between China and Japan rose 9 percent between 1970 and 1971.

In recent years, about 90 percent of the trade between China and Japan has been carried on through the Canton Trade Fairs, held each spring and fall, to which certain Japanese businessmen are invited.

Trade is also conducted by means of a Memorandum Trade Agreement. Under the Agreement, a trade pact was signed in October for $120 million, 33 percent greater than last year's agreement for $90 million. Also, the Japanese Ministry of Finance has announced the intention of granting most-favored-nation treatment to China. Until now, higher general tariff rates have been applied to many of China's exports.

The Memorandum Trade Agreement maintains quasi-governmental offices in Peking and Tokyo on the basis of a memorandum. In Japan, the memorandum is signed as an instrument of a private business association. In China, the Government is the actual signer. The Agreement, which is renewed annually, will be extended until a formal government-to-government trade agreement has been established, which could take at least a year.

The volume of China's agricultural exports to Japan will depend largely on the level of domestic production, which must also be sufficient to feed China's huge expanding population.

Chinese soybean production in 1972 is preliminarily estimated by USDA to have been somewhat less than the 6.7 million tons produced in 1971. Soybean acreage, totaling nearly 20 million acres in 1971, decreased in 1972.

Most of the exported soybeans come from Manchuria, one of the two major producing areas in China. Manchurian soybeans, which account for one-third of China's total soybean crop, are considered to be of a high quality for food use, although oil content is usually below that of U.S. soybeans. But unusually heavy rainfall at harvesttime in the fall of 1972 may have affected the quality of the crop.

Soybean exports, most of which go to Japan, have been declining—from 577,000 tons in 1965 to about 410,000 tons in 1970.

Chinese corn production, on the other hand, has been increasing and is estimated by USDA to be 25 million tons in 1971 from a planted area of 33.1 million acres. According to the New China News Agency, one-third of the area planted to corn in 1971 was sown to hybrid seed. It is believed that China has also stepped up its use of chemical fertilizer, much of which is imported from Japan, as a means of increasing corn yields.

Expanded use of hybrids and fertilizer has increased corn production gradually over the years, but no massive upsurge in output is anticipated at this time. In fact, China contracted in October 1972 to import 300,000 tons of corn from the United States. Total exports of corn from China, most of which went to Japan, fluctuated between 1,000 tons and 245,000 tons annually in the 1965-70 period.

Chinese production of grain sorghum and other millets has also been increasing, due in part to the development of high-yielding varieties. The area devoted to sorghum has risen, according to official Chinese sources, from 16.3 million acres in 1957 to 18.8 million in 1971.

Separate production figures for sorghum are not available, but if sorghum yields in 1971 were only 75 percent of corn yields in that year, the total production of sorghum would have been about 10 million tons.

JAPAN'S TRADE WITH CHINA
[In millions of dollars]

Item	1970	1971
Total exports to China	568.9	575.1
Agricultural exports	.1	.2
Total imports from China	253.8	321.0
Agricultural imports	138.2	189.2
Total trade balance	+315.1	+254.1
Agricultural trade balance	−138.1	−189.0

Japan Customs Bureau.